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Dear Rupika,

CONSULTATION ON THE POLICY ON VARIABLE USAGE CHARGES FOR MODIFIED VEHICLES

This letter constitutes the response by DB Schenker Rail (UK) Limited ('DB Schenker') to the ORR's consultation document entitled "*Consultation on the Policy on Variable Usage Charges for Modified Vehicles*". DB Schenker's comments are made by reference to the subject headings in the consultation document.

- *Background & Purpose*

DB Schenker notes that the industry is working collaboratively in order to develop a policy and charging regime for modification of vehicles to minimise their track wear and that ORR participates in cross industry meetings on this subject. However the industry attendees mentioned do not include representatives from the rail freight industry (for example, RFOA). DB Schenker wishes to understand whether there is freight representation at these meetings.

- *Treatment in CP4*

DB Schenker supports ORR's view that operators should expect to benefit from any vehicle modifications they make which result in reductions in Network Rail's maintenance and renewal costs through appropriate reductions in their variable usage charges. DB Schenker considers that such reductions should also be available to any other operator who makes the same modifications to the same type of vehicle.

DB Schenker notes that there have been some instances where the change to the variable usage charge estimated using the PR08 charging model is considered by both Network Rail and operators to be a substantial underestimate of the costs savings which can undermine the business case for making the modifications. DB Schenker believes that ORR's proposed criteria represent a sensible approach for dealing with such cases. However, DB Schenker shares ORR's concern that bespoke reductions agreed bilaterally between an operator and Network Rail could also undermine the principles of the variable usage charging system, particularly in respect to transparency and non-discrimination. Therefore, DB Schenker considers that any bespoke reductions made in line with ORR's criteria should also be available to any other operator making the same modifications to the same vehicle type.

- *Treatment in CP5*

If a modified vehicle causes less damage to infrastructure than an unmodified vehicle of the same type and, therefore, enjoys a lower variable track access charge rate, then DB Schenker would expect this differential to continue into CP5 with both rates being transparently published alongside each other in the charges price list.

- *Bespoke deals under the track access contract framework*

DB Schenker supports ORR's position that it should not consent to bespoke deals for vehicle modifications that are a direct substitute for a track access charge as this could lead to differential non-transparent pricing of track access between operators competing in the same markets, which is a particular concern for freight operators.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Nigel Oatway', with a large, sweeping flourish underneath.

Nigel Oatway
Access Manager